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Taking green partnerships to the next level

'GREEN PORTFOLIO' PROJECT IS THE FIRST BETWEEN A MAJOR INVESTMENT FIRM AND AN ENVIRONMENTAL GROUP

Taking sustainability into the private equity market, Environmental Defense Fund and the giant portfolio investor Kohlberg Kravis Roberts (KKR) have announced a partnership to measure and improve environmental performance of a large number of companies in KKR's U.S. portfolio.

Surprisingly little is known about the environmental performance of businesses in general. Our new Green Portfolio Project aims to change that. The project will develop tools to measure how well companies harmonize their operations with the environment and will apply the knowledge gained across a significant portion of KKR's portfolio.

Environmental Defense Fund will receive no money for its services. The business tools developed in the partnership will be shared with other companies free of charge.

"Pollution by definition is waste, and waste costs money," said Gwen Ruta, our vice president of corporate partnerships. "KKR has transformed companies by improving performance, measuring results and focusing on the long term. Never before has such a major player used this approach to achieve environmental benefits."

We are seeking improvements in areas such as global warming pollution, water consumption and toxic chemicals. The benefits will be achieved across much of KKR's portfolio, valued at

Significant, surprising...

"This news is, all at once, significant, surprising and predictable. It's significant because of the scale of KKR.... What's surprising is that KKR would seek the help of an environmental group to improve its operations. [But] the green wave sweeping corporate America was bound to eventually catch on with private equity firms."

—*Fortune* magazine, May 1, 2008

\$86 billion. Given the size and diversity of the firm's holdings, we see multiple opportunities to apply our experience in cutting vehicle emissions, packaging waste and inefficient energy use.

"What's really exciting about this

Continued on p. 2



Reaching for higher environmental gains at leading retailers.

What I hear from Americans about global warming



In recent weeks, I traveled the country speaking about *Earth: The Sequel*, the book on new energy technologies I co-wrote to help galvanize the public around

solutions to global warming. The response—whether from grandmothers or venture capitalists—has been both humbling and inspiring.

At Google headquarters in Mountain View, CA, the creative sparks were flying. A software engineer wanted to brainstorm on the spot about how we might launch solar panels into outer space. In a Denver bookstore, a man asked me to inscribe a copy for his mother, who had been feeling hopeless about the planet's future. Until now.

From my experience, we have

every reason for hope. As Oberlin professor David Orr says, "Hope is a verb with its sleeves rolled up." The bold inventors at work on new solutions today can power our economy without creating global warming pollution. Their enthusiasm is contagious. As I tell stories about these pioneers in the book, more and more people see that

We have every reason for hope. But Congress must act.

we really can solve this problem. But those hopes will be realized only if a strong global warming bill is enacted.

Congress needs to pass the Lieberman-Warner Climate Security Act—and soon. All the presidential contenders support capping greenhouse gas emissions. But as the Senate vote approaches, oil and coal lobbyists are

fighting to water down the bill and maintain the status quo, which has profited them handsomely. We cannot allow them to succeed.

Maintaining the status quo would be the costliest course. Last month, our economists released a groundbreaking summary of all the leading economic models that have analyzed the Lieberman-Warner bill. The conclusion: The bill would have almost no impact on long-term economic growth. Doing nothing, however, will ruin the economy.

Now is the critical moment to ask your elected representatives to enact a strict cap on global warming pollution. Passage of a strong climate bill is the best way to translate the hope I've seen in people's eyes into reality.

A new chapter in the greening of corporate America

Continued from p. 1

project is not just the benefits to the KKR portfolio companies," said the company's managing director Ken Mehlman. "It's the conversations we're going to have in identifying cost-effective ways to improve environmental performance."

In addition to working with its portfolio companies, KKR is joining our

Climate Corps Program, which places trained MBA interns into companies to help identify and implement improvements.

KKR first approached us last year to help with their acquisition of Texas utility giant TXU. The \$45 billion buyout, in partnership with Texas Pacific Group, was then the largest in history. Based on our advice, KKR withdrew applications for 11 coal-fired power plants and pledged to support a cap on carbon emissions.

The firm made its purchase of the utility contingent on our approval of its global warming plan. The TXU buyout gave us our first glimpse of how private equity could drive environmental benefits. Our new partnership expands that potential from one company to many. KKR has the unprecedented ability to effect change in a wide array of business sec-

tors from pharmaceuticals to financial services. Already, other private equity firms have expressed interest in doing similar work with us.

"This partnership is sending a message to the financial community," said Ruta. "The environment is an investment decision."



Smart investors know that pollution is waste, and waste costs money.

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ENVIRONMENTAL DEFENSE FUND
finding the ways that work

Solutions

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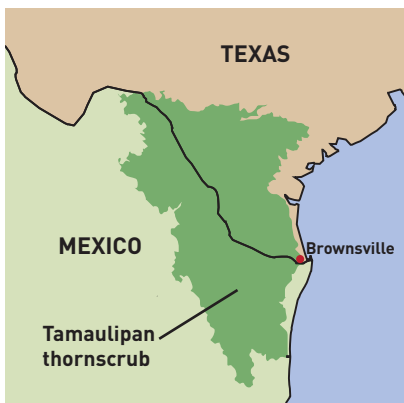
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When fences make bad neighbors

RARE WILDLIFE COULD BE A CASUALTY OF BORDER SECURITY EFFORTS

America's "little leopard," the ocelot, is in grave danger. Fewer than 100 of the endangered animals still roam the Lower Rio Grande Valley. Now the Department of Homeland Security wants to build a 700-mile-long fence on the U.S.-Mexico border that would cut through and destroy much of the ocelot's remaining thorn scrub habitat and prevent the little cats from swimming across the Rio Grande to mate.



Once widespread, only isolated areas of thornscrub remain.

Environmental Defense Fund opposes the wholesale fencing plan and we're proposing alternatives to improve both wildlife habitat and border security. Many local officials and private landowners are concerned that the fencing plan would destroy or isolate large areas of the 130-mile habitat corridor along the Rio Grande

that the federal government paid millions of dollars to protect. A sanctuary for rare wildlife, this area now supports a thriving eco-tourism industry in one of the poorest parts of the country.

In other areas along the border, we are helping develop environmentally sound approaches. These include:

- **Clearing the river corridor** to remove dense thickets of non-native salt cedar, and replacing them with native vegetation,



Under construction, the border fence.



Once common across south Texas, today only about 100 ocelots survive

Pete Osford/Minden Pictures

which can improve sightlines and bolster the Border Patrol's ability to enforce the law.

- **Creating backwater channels** (riverine wetlands), which can help impede illegal border crossings while providing significant benefit to birds and wildlife.

Local Homeland Security officials have been receptive to such alternatives, and a bi-national demonstration project is underway. Along the Lower Colorado River near Yuma, AZ, we are working with the Yuma Crossings National Heritage Area, the Mexican conservation group ProNatura Noroeste and various federal and state agencies to show how restoration and border security can be compatible.

"Similar restoration techniques and bi-national cooperation could work well in many other border areas," says Mary Kelly, co-director of our Land, Water and Wildlife program.

Unfortunately, in its rush to build the multi-billion dollar border fence, the Department of Homeland Security has decided to waive all federal environmental laws. We and others are opposing this waiver and will now test its constitutionality in the courts.

There are other ways to improve border security—and wildlife habitat.

End of the road for dirty diesel

OVERALL CUTS IN DIESEL POLLUTION WILL SAVE MORE THAN 20,000 LIVES A YEAR

On a warm, hazy day last in March, our attorney Janea Scott stood at the Port of Houston as EPA Administrator Stephen Johnson announced strict new pollution limits on diesel trains and commercial ships. Then Johnson thanked Environmental Defense Fund for our hard work. "I was surprised," says Scott.

She shouldn't have been. The regulations were an important chapter in a campaign Scott and her colleagues had waged over the past decade to close dangerous pollution loopholes and clean up the major sources of diesel emissions in America. Collectively, the standards we helped win will prevent thousands of deaths and hospitalizations each year, providing billions of dollars in public health benefits that far

outweigh the costs of controlling pollution.

While cars have been subjected to tough pollution limits for more than 30 years, standards for diesel engines have lagged behind. Environmental Defense Fund set out to tackle the problem of under-regulated sources of pollution.

Back in 2000, Scott was often the lone environmentalist, outnumbered by industry representatives, on an EPA diesel advisory panel. But we persevered, demonstrating with allies the health risks of diesel pollution, providing legal testimony, building support in indus-



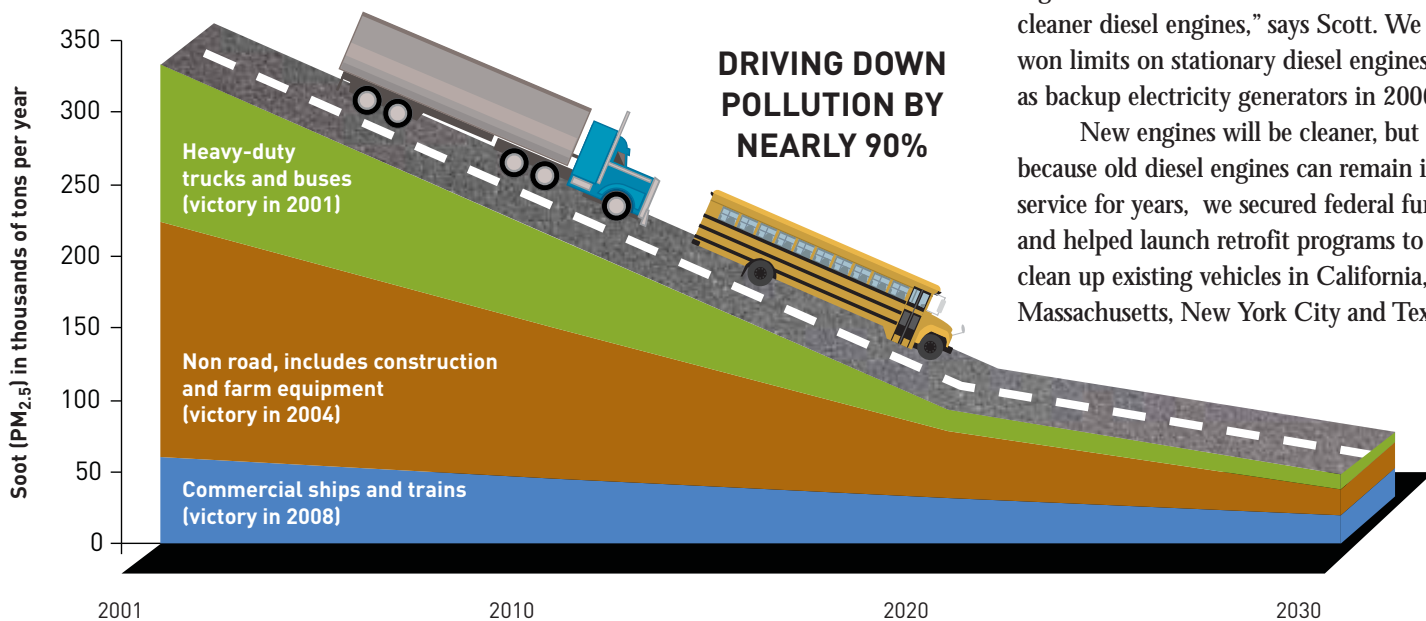
"Our children should grow up in a world without suffocating plumes of smoke."

—Attorney Janea Scott

try and, when necessary, taking EPA to court. The American Lung Association and other powerful allies were fundamental to our success.

"From trucks to bulldozers, trains and commercial ships, our nation is now making the transition to a bold new era of cleaner diesel engines," says Scott. We also won limits on stationary diesel engines such as backup electricity generators in 2006.

New engines will be cleaner, but because old diesel engines can remain in service for years, we secured federal funding and helped launch retrofit programs to clean up existing vehicles in California, Massachusetts, New York City and Texas.



NEW ON THE WEB

Dial-a-fish for healthier seafood

Not sure which fish dish to order? Use your cell phone to get up-to-date health and environmental information about 200 kinds of seafood. Punch up our Seafood Selector at m.edf.org/seafood.



Will cutting carbon pollution bankrupt the economy or save it?

Our new analysis of state-of-the-art economic models shows the U.S. can enjoy robust growth while making ambitious emissions cuts. Check out the bottom line at edf.org/climatecosts.



Find latest updates at edf.org

Are you ready for the nano creatures?

Tiny nano particles are fast making their way into all kinds of products, including some you may already be using. Find out what our experts think at environmentaldefenseblogs.org/nanotechnology.



Olympics inspire cuts in pollution

In a race to clear up Beijing's pervasive air pollution in time for this summer's Olympic Games (when poor air quality would pose a threat to athletes' health), the Chinese government is enacting stricter curbs on pollutants. These include a two-month ban on construction work and heavy industry in and around the capital.

Many companies are taking to the field voluntarily to reduce carbon dioxide (CO₂) as well as soot and other pollutants. Thirty companies and organizations so far, including BASF, BP and China Mobile Communications Corp., have signed on to the Green Commuter Campaign, developed with the help of Environmental Defense Fund. The campaign lets companies measure the CO₂ savings of employees who make less-polluting transportation choices.

Commuters who visit a special website can use a carbon calculator (developed by

engineers at Tsinghua University) to see their personal CO₂ emissions from taking a bus, subway or car. Driving a car five kilometers to work, for example, produces 25 times the amount of global warming pollution as riding a bus.

Since vehicle emissions are a major contributor to Beijing's air pollution, our goal is for 100 businesses to join the effort, with their collective pollution reductions being registered on the China Beijing Equity Exchange.

Environmental Defense Fund chief economist Dr. Daniel Dudek, who has helped initiate several progressive programs to reduce China's greenhouse gas emissions,



The longest race: China labors to clean its air.

says the country is also working harder to reduce the impact of its hunger for energy.

China faces a daunting task. "For too long, environmental concerns were put off for fear that they would compromise the nation's economic growth," says Dudek. "Now, Beijing sees that environmental improvements can win economic and political advantages for the nation."

Cuban connection

CREATING A MODEL FOR SUSTAINABLE COASTAL DEVELOPMENT

Cuba is a mere 90 miles from Florida, yet a world away.



Tourism in Cuba is increasing 15 percent annually and could skyrocket if American tourists are allowed to visit the island.

With more than 4,200 islets and keys, the country is teeming with marine and terrestrial treasures. Half its southern coast is mangrove forest, the largest such fish nursery in the Caribbean, and its coral reefs are among the most intact in the region.

Politics have insulated Cuba from development and the environmental destruction that so often accompanies it. But now hotels are popping up and there's pressure to drill for oil offshore.

"Cuba's late start in tourism may be a blessing," says our attorney

Dan Whittle. "It has an opportunity to avoid the problems of so many other island havens."

Over the past eight years, Environmental Defense Fund has helped Cuban scientists implement new environmental laws, laying the foundation for conservation with U.S. government permission. We provided the science underpinning an island-wide network of marine protected areas, safeguarding gems such as the Gardens of the Queen, once Fidel Castro's favorite spearfishing spot.

Cuba is one of the few countries in the Caribbean to reverse deforestation. Yet it has its share of problems, including soil depletion and inadequate sewage treatment. "Cuba has excellent laws in place," notes Whittle. "The challenge is implementation."

To inform developers and government agencies about watershed protection, we wrote a coastal policy handbook with Cuban experts. We also provided scientific and policy research on how the country can increase its use of clean energy from the sun, wind and ocean.

"The Cubans are motivated to protect their environment," says Scott Edwards, our Caribbean oceans director. "But is there political will? Cuba could become a model for marine and coastal stewardship in the region."

Energy is invisible

WHAT IF YOU COULD SEE HOW MUCH YOU USE?

Toyota Prius owners may already be greener than average, but a little-known feature of their car makes them even more so. Every new Prius hybrid has a fuel-economy gauge that informs its drivers of their gas consumption in real time.

In easy view on the dashboard, this digital readout is constantly being updated as conditions change. And drivers are adjusting their behavior to save fuel.

Other carmakers are getting the message: soon all new Nissans will have fuel-economy gauges. Tests show that drivers watch the gauge and, by smoothing out acceleration and braking, use 10% less gas.

There's a psychological insight here. Even with the best of intentions, most people won't adjust their habits to fight global warming unless the benefits are visible. If our thermostats displayed the cost to us every time we turned the heat up, most people would put on a sweater instead.



Edward Bock/Corbis

It all adds up: Our multitasking society demands we always keep the power switched on.

COUNTING THOSE KILOWATTS

A number of devices are available to monitor electricity use. Many are simple plug-in monitors that provide a constantly updated energy snapshot of your home or office. Turn on an air conditioner, for example, and watch consumption shoot up; turn off a light and it goes down. Here are a few examples:

- The \$39.95 **Kill-a-Watt** plugs into a wall receptacle. Just plug in any appliance, whether your toaster or your TV, and it will tell you how much electricity you're using—in amps and in dollars spent. There are many other small meters of this type.

- Wired into your electric panel by an electrician, **The Energy Detective** (\$139.95 and up) displays in real time the total amount of power you're using throughout your home or office.

- For office and apartment complexes, the more ambitious and expensive **Building Dashboard** by Lucid Design (\$15,000) not only tracks electrical use but also water use, along with such specifics as the amount of energy generated by solar panels and comparative data like electricity use by floor or building. All the information is presented onscreen in easy-to-follow graphs and illustrations that let users compare performance over time.

Real-time energy monitors stimulate conservation and save people money. It's a winning combination that means this trend is likely to last. In the future, look for even more ways to make tracking your energy use easier.

By Jim Motavalli

Gadgets gone green

These real-time energy monitors increase conservation and save you money

The Energy Detective (\$139.95) includes a USB hookup for real-time data logging on your PC. At: theenergydetective.com

The **Kill-a-Watt** electric meter (\$39.95) is found on many shopping sites, including the-gadgeteer.com and supermediastore.com.

Test drive the state-of-the-art **Building Dashboard** (\$15,000) at luciddesigngroup.com.

RESOURCE CENTER

Guest columnist Jim Motavalli writes for *E/The Environmental Magazine* (for subscription information: 800-967-6572 or emagazine.com). Opinions are the author's and not those of Environmental Defense Fund staff.

Our hybrid truck idea catches on



Eaton Corp.

Door-to-door delivery—with 65 percent less pollution

Our partnership with FedEx has successfully taken hybrid trucks from the drawing board to the production line, spurring a full market transformation.

“We showed how well our prototypes work in the real world, slashing both air pollution and fuel costs,” explains Environmental Defense Fund project analyst Rachel Beckhardt. “This spurred commitments and orders from many powerhouse fleets, from UPS and DHL to Coca-Cola, Pepsi and Wal-Mart, as well as many utilities and municipalities.”

The “Big Four” truck makers (Freightliner, International, Paccar and Volvo) and others are moving swiftly to meet rising demand for hybrid trucks of all sizes. Nineteen models are now commercially available, with more in the works.

As price is a big concern during this initial production stage, our team is assisting fleets with an array of federal and state incentives that we helped create. (See edf.org/hybridincentives)

As FedEx Express president David Bronzek puts it: “The clear environmental and business gains signal a revolution in truck technology and have set a new industry standard—thanks to Environmental Defense Fund.”

Helping rice farmers reduce pollution

Next time you order a California sushi roll, it may be lower in carbon.

When California passed the Global Warming Solutions Act, the state’s rice growers wanted to explore ways to lower their greenhouse gas emissions. But exactly how to go about it wasn’t clear, so we teamed up with the California Rice Commission to work on the challenge. California produces virtually all of the sushi rice in the United States.

Rice farms emit methane, a powerful greenhouse gas, but also help by storing carbon in soils. We launched a two-year project to develop techniques for measuring and reducing net emissions.

“Our goal is to develop a comprehensive menu of options to help rice growers reduce their greenhouse gas footprint,” says Eric Holst, manager of our Center for Conservation Incentives.

Examples include using rice straw to generate biomass energy.

The techniques will be field tested on participating rice farms in California’s Sacramento Valley, which has 500,000 acres under cultivation.

For our efforts, the California Rice Commission has awarded us its Circle of Life award.



Michael Forsberg

Our global warming work on California’s rice fields will benefit wildlife, too. Among the wildlife using the fields are rare birds such as the merlin, Peregrine falcon, white-faced ibis and the Sandhill crane, pictured here.

Congestion pricing—a good idea lives



Thomas Wintz/Lonely Planet Images

Congestion pricing charges drivers to enter the heart of a city at peak hours. It’s now being explored by San Francisco and other cities.

In April, New York’s City Council gave the green light to an innovative traffic plan we helped develop. Sadly, state lawmakers then put on the brakes, letting \$354 million in federal funding slip away. Our Living Cities vice president Andy Darrell remains hopeful: “Clean air, transit and traffic are now front and center in the public debate about New York’s future.”

Our campaign for congestion pricing won the support of labor, community, health and business leaders and two-thirds of New Yorkers. We’ll continue to pursue this good idea. “Congestion pricing makes sense for New York and many other cities,” says Darrell.

Coal faces a day of reckoning

AS UTILITIES RECOGNIZE GLOBAL WARMING'S COSTS, COAL PLANTS ARE SHELVED

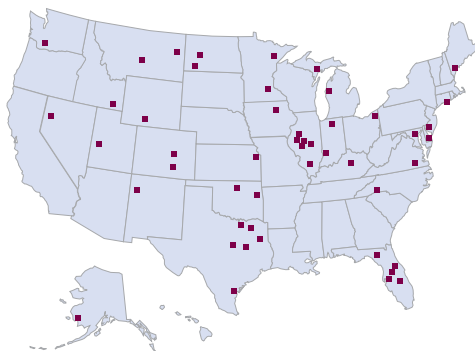
A coal furnace in your basement may be a relic of the past, but the average U.S. household still burns through 50 pounds of coal a day to power everything from lights to PCs. Roughly half the nation's electricity comes from coal.

Coal will become far less cost-effective, however, once the cost of capturing global warming pollution from smokestacks is taken into account. Compared with natural gas, coal emits twice as much carbon dioxide.

As a national cap on carbon dioxide nears, America's coal rush has slowed, with some 65 proposed coal-fired power plants in more than 20 states canceled or delayed in 2007, thanks in part to the efforts of Environmental Defense Fund.

"To argue that coal is still cheap and reliable is misguided," says our deputy general counsel Vickie Patton. "Costs are soaring,"

COAL PLANTS CANCELED OR DELAYED IN 2007



In a sign of the times, the federal government has suspended a major loan program for conventional coal-fired power plants in rural communities, saying the uncertainties of climate change and rising construction costs make the loans too risky. New technologies to capture and

bury carbon from smokestacks have yet to be commercialized.

The turning point came in 2007 when two top private equity firms enlisted our help in acquiring TXU, the huge Texas utility that had planned to fast-track 11 old-fashioned coal power plants. Not wanting to be saddled with these environmental dinosaurs, the new buyers, Texas Pacific Group and Kohlberg Kravis Roberts, agreed to scrap eight of the plants. They also agreed to double the company's investment in renewable energy and efficiency.

The Washington Post called the deal "a landmark in the battle over climate change policy."

Then our managing director of business partnerships Mark Brownstein negotiated with investment banks, including Citigroup and Morgan Stanley, on a set of "carbon principles" to guide financing of coal projects. The standards could shift investor focus away from old-style coal plants toward an entire range of low-carbon options that are financially sustainable.

Despite these successes, however, more than 100 conventional coal-fired power plants are in the pipeline. Duke Energy plans to build a massive plant in North Carolina that would lock in outdated technology for 50 years. We have joined the Southern Environmental Law Center in



Tim Wright/Corbis

Passage of national climate legislation will hasten the transition from old-style coal to cleaner energy sources.

challenging the plant's air quality permit.

"Winning fights one by one is fine," says Brownstein. "But a national carbon cap will make conventional coal obsolete."

Choosing alternative energy

Across the country, utilities are meeting growing electricity needs through cleaner technologies and energy efficiency.

- In CO, we helped negotiate a settlement with Xcel Energy resulting in the closure of two coal plants and the addition of 800 MW of wind power.
- In AZ, one utility canceled a coal plant and opted for natural gas; another proposed a 280 MW solar facility, one of the world's largest.
- Idaho Power Company canceled plans to expand coal plants, instead opting for wind, geothermal and natural gas.



Imagine leaving a legacy as spectacular as this

From national parks and wildlife refuges to protected monuments and unspoiled vistas, so much of what we treasure today is the result of the passion and investment of prior generations.

You, too, can leave a legacy that will preserve environmental treasures like this one. Bequests to Environmental Defense Fund are a powerful way to make certain that your values endure.

To learn more, contact Nick Pitaro at Environmental Defense Fund, 257 Park Avenue South, New York, NY 10010; 877-677-7397; ospreys@edf.org.